

Minutes
Finance and Audit Committee Meeting
Board of Directors of the Virginia Economic Development Partnership
December 7, 2022
1:30 p.m.

901 East Cary Street
One James Center, Board Room
Richmond, VA 23219

Welcome and Call to Order

The meeting was called to order at 1:30 p.m. by Acting Chair Rick Harrell. Acting Board Chair Caren Merrick appointed Bill Hayter to the Committee.

Committee Members Present: Secretary Stephen Cummings, Acting Chair Rick Harrell, Bill Hayter, April Kees, Secretary Caren Merrick, and Steven Stone

Committee Members Absent: None

Other Board Members: Dan Clemente, Carrie Chenery, Mimi Coles, John Hewa, Pace Lochte, and Will Sessoms

VEDP staff present: Stephanie Agee, Vince Barnett, Lesley Brown, Nicole David, Jason El Koubi, Kim Ellett, Stephanie Florie, Bob Grenell, Stephen Hartka, John Michael Haynes, Chris Hughes, Angie Jenkins, Christy Morton, Tim Stuller, and Lisa Wallmeyer

Guests present: Chris Kalafatis, Jason Powell, Rachel Reamy, Randy Sherrod, and Linda Wade

Public Comment Period

Acting Chair Harrell asked for public comments. There were none.

Approval of Minutes for September 28, 2022 Meeting

Acting Chair Harrell asked for approval of the minutes from the September 28, 2022 Committee meeting. A motion was made by Mr. Hayter and seconded by Secretary Merrick and the minutes were unanimously approved as presented.

FY22 Financial Audit Update

Acting Chair Harrell introduced Linda Wade and Rachel Reamy with the office of the Auditor of Public Accounts. Ms. Wade reminded the Committee of the scope of the APA audit. She shared that her team anticipates completing VEDP's audit by the middle of January 2023. Ms. Wade will attend the next Board meeting to share the audit report.

VEDP FY23 Financial Results (thru 9/30/2022)

Mr. Grenell presented the FY23 Operations Budget to actual for the three months ended September 30, 2022. Mr. Grenell shared that all VEDP divisions are close to or below budget through the first three months of the fiscal year.

Mr. Grenell explained that the market-facing divisions, which include Talent Solutions, International Trade, Business Investment, and Marketing & Communications are under budget. He said that this spending rate is expected to increase in the remaining quarters of FY23.

Mr. Grenell reviewed Projects, Pass Thru's and Grants, which are all under budget for the fiscal year. He reviewed the FY23 budget details for the items included in this part of the budget, adding that spending for these items is expected to increase later in the fiscal year.

Acting Chair Harrell thanked Mr. Grenell for his report.

Mr. Hayter made a motion to approve the Q1 FY23 financial results. The motion was seconded by Ms. Kees and the motion was unanimously approved.

Internal Audit Update

Acting Chair Harrell introduced Mr. Kalafatis with FORVIS to provide a progress update on VEDP's internal audit function.

Mr. Kalafatis said that he and his team are wrapping up their audits of the Regional Talent Solutions and Business Outreach (RTSBO) and Economic Competitiveness divisions. He said that these audits should be completed by the end of the calendar year.

Mr. Sherrod said that the audit of the Research division will begin in January and the Information Technology audit will begin in February. Mr. Kalafatis said that FORVIS will ensure that there is no duplication with the APA IT audit that is taking place now. Mr. Kalafatis explained that work on VEDP's annual Risk Assessment will be conducted March-April of 2023.

Acting Chair Harrell asked Mr. Kalafatis to walk through how the audit plan is decided each year (i.e., which divisions will be audited and when) for new Board members. Mr. Kalafatis explained the process.

Mr. El Koubi provided additional context on the relationship between the Board and FORVIS.

Acting Chair Harrell thanked Mr. Kalafatis for his report.

Extension Requests

Acting Chair Harrell introduced Ms. Ellett to share her report.

Ms. Ellett presented five extension requests for the Committee's consideration, including two data center sales and use tax extension requests. She stated that the localities where these companies are located are supportive of the extension requests.

Polycap – Russell County has requested a first extension of 12 months to provide more time for the company to reach its employment target. The company has already exceeded its investment target. They have increased their wages on a regular basis to attract employees and they are aggressively recruiting. Polycap anticipates that a 12-month extension will allow time for the labor market to improve and enable the company to reach its employment metric.

Navy Federal Credit Union – Frederick County has requested a first extension of 15 months to provide more time for the company to reach its employment target. The company has greatly exceeded their investment target. Recruitment is underway for 267 open positions. While they will still be short of their job target if these are filled, the addition of these jobs will enable them to retain a greater portion of the COF grant and reduce the amount of the required clawback.

Volvo/Mack Trucks – Roanoke County has requested a first extension of 15 months to reach their employment target. The company has exceeded their investment target. Mack Trucks' hiring has been impacted by continuing supply chain challenges; however, improvements in the supply chain are anticipated over the next 15 months. Demand is strong for the vehicles produced at their facility. Plans are underway to add a second shift in the near terms, which will enable the company to fully reach its employment target.

Ms. Ellett provided a data center extension request overview. She introduced two data center extension requests for the Committees consideration.

Cyxtera Communications – Loudoun County has requested a first extension request of 18 months to meet their employment targets. The company has noted supply chain issues from the Covid pandemic and their impacts on the timeline of their project for delays in hiring. The company also noted hiring difficulties due to the 'on-site' nature of the work, making it more difficult to recruit employees seeking a more flexible hybrid work environment.

Stack Infrastructure – Loudoun County has requested a second extension of 18 months to meet their employment targets. The company has met their investment target. Stack cites Dominion's regional transmission capacity issue in the Loudoun area as an issue as to why the extension is needed; Dominion's inability to provide adequate power has caused the company to operate below capacity resulting in fewer permanent workers employed at this time. The company also cited supply chain disruptions and the pandemic shutdown as contributing factors. The company has high confidence that it will meet its job creation target with an 18-month extension.

Mr. Hayter made a motion to recommend approval of all five extension requests that were presented. Mr. Stone seconded the motion, and the recommendation was unanimously approved.

Clawback Updates and OAG Referrals

Mr. El Koubi provided context on this topic for the benefit of new Board members.

Ms. Ellett stated that there have been no new referrals to the Office of the Attorney General (OAG) since the last Committee meeting.

Ms. Ellett shared the clawback report and explained that no clawbacks are past due as of November 18, 2022.

Ms. Ellett reviewed the eight clawbacks that have been requested but are not yet past due. Ms. Ellett noted that three clawbacks have been paid since November 18, 2022.

Ms. Ellett shared information on projects subject to clawback that have been closed out since September 29, 2022. She noted that payments have been received from U.S. Foods and Koinonia.

Ms. Ellett reviewed the progress report on VJIP projects subject to clawback. She stated that there have been no VJIP clawbacks referred to the OAG and no clawbacks are currently past due. Ms. Ellett said that one clawback has been requested but is not yet past due.

Ms. Ellett stated that there is one data center project, OVH, currently subject to clawback, the amount of which is currently being determined.

Secretary Merrick made a motion to recommend approval of the clawback report. Mr. Hayter seconded the motion, and the recommendation was unanimously approved.

Closed Meeting:

APA Audit and Datacenter Economic Impact Report

A motion was made by Mr. Hayter and seconded by Mr. Stone to move into a closed meeting. The motion shown below was unanimously approved by the members.

I MOVE THAT THE FINANCE AND AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY CONVENE A CLOSED MEETING PURSUANT TO VIRGINIA CODE §2.2-3711(A)(50) TO ENGAGE IN A DISCUSSION OR CONSIDERATION OF THOSE PORTIONS OF VEDP's STRATEGIC PLAN, MARKETING PLAN OR OPERATIONAL PLAN, THAT MAY RELATE TO TARGET COMPANIES, SPECIFIC ALLOCATION OF RESOURCES AND STAFF FOR MARKETING ACTIVITIES, AND SPECIFIC MARKETING ACTIVITIES THAT WOULD REVEAL TO THE COMMONWEALTH'S COMPETITORS FOR ECONOMIC DEVELOPMENT PROJECTS THE STRATEGIES INTENDED TO BE DEPLOYED BY THE COMMONWEALTH, THEREBY ADVERSELY AFFECTING THE FINANCIAL INTEREST OF THE COMMONWEALTH.

IN ADDITION THE DISCUSSIONS WILL INCLUDE A MOTION TO GO INTO CLOSED SESSION UNDER §2.2- 3711(A)(19) TO DISCUSS INFORMATION EXEMPT PURSUANT TO THE RECORDS EXCLUSION PROVIDED IN §2.2-3705.2(14) WHERE DISCUSSION IN OPEN MEETING COULD JEOPARDIZE THE SECURITY OF VEDP'S INFORMATION TECHNOLOGY SYSTEMS AND SOFTWARE.

Acting Chair Harrell requested that VEDP staff and legislative guests be allowed to stay for the discussion. The Committee members agreed.

Back in Open Meeting, Certification of Closed Meeting – Followed by a Roll Call vote:

WHEREAS, THE BOARD OF DIRECTORS OF THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY HAS CONVENED A CLOSED MEETING ON THIS DATE PURSUANT TO AN AFFIRMATIVE RECORDED VOTE AND IN ACCORDANCE WITH THE PROVISIONS OF THE VIRGINIA FREEDOM OF INFORMATION ACT; AND WHEREAS, THE ACT REQUIRES A CERTIFICATION BY THIS BOARD THAT SUCH CLOSED MEETING WAS CONDUCTED IN CONFORMITY WITH THE ACT; NOW, THEREFORE, BE IT RESOLVED, THAT THE BOARD CERTIFIES THAT, TO THE BEST OF EACH MEMBER'S KNOWLEDGE, (I) ONLY PUBLIC BUSINESS MATTERS LAWFULLY EXEMPTED FROM OPEN MEETING REQUIREMENTS UNDER THE ACT WERE DISCUSSED IN THE CLOSED MEETING TO WHICH THIS CERTIFICATION RESOLUTION APPLIES, AND (II) ONLY SUCH PUBLIC BUSINESS MATTERS AS WERE IDENTIFIED IN THE MOTION BY WHICH THE CLOSED MEETING WAS CONVENED WERE HEARD, DISCUSSED, OR CONSIDERED IN THE CLOSED MEETING BY THE BOARD

Upon the vote:	Acting Chair Harrell	Aye
	Secretary Cummings	Aye
	Ms. Kees	Aye
	Secretary Merrick	Aye
	Mr. Stone	Aye
	Mr. Hayter	Aye

Other Topics, Adjournment, and Next Meeting

The next meeting of the Finance and Audit Committee will be held in March 2023, exact date and time TBD. The meeting was adjourned at 2:46 p.m.

Respectfully submitted,

Nicole David
Acting Recording Secretary